

Message Text

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E.O. 11652: N/A
TAGS: UN, AORG
SUBJECT: TAXATION OF LUMP SUM UN PENSION PAYMENTS

REFS: A) STATE 032933 B) OTTAWA 00681

1. EMBASSY HAS RECEIVED FROM REVENUE CANADA WRITTEN
RESPONSE TO DEPARTMENT'S QUESTIONS REGARDING THE TAXABILITY
OF BENEFITS OF THE UNITED NATIONS JOINT STAFF PENSION FUND
(UNJSPF). RESPONSE FOLLOWS.

2. BEGIN TEXT. AS CANADIAN TAX IS IMPOSED ON THE BASIS
OF RESIDENCY AND THE TAXPAYERS IN QUESTION ARE RESIDENT IN
CANADA, THE PROVISIONS OF THE INCOME TAX ACT WOULD APPLY
WITH THE RESULT THAT THE LUMP-SUM PAYMENTS WOULD BE TAXED.
THE TAX IS APPLICABLE TO "ANY AMOUNT RECEIVED IN THE YEAR,"
SO THAT THE RELEVANT PORTION OF THE ONE-THIRD LUMP-SUM WITH-
DRAWAL WOULD BE TAXED IN THE YEAR OF RECEIPT.

3. TO PROVIDE FOR RELIEF FROM THE LARGE AMOUNT OF TAX
ASSOCIATED WITH SUCH A LUMP-SUM RECEIPT, THE TAXPAYER MAY
ROLL THESE PAYMENTS INTO ANOTHER REGISTERED PENSION FUND
OR A REGISTERED RETIREMENT SAVINGS PLAN. THIS WILL DEFER
THE TAX PAYMENT UNTIL THE ACTUAL PENSION OR ANNUITY PAYMENTS
ARE RECEIVED BY THE TAXPAYER FROM THE NEW PLAN. ALTERNA-
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PAGE 02 OTTAWA 00868 221724Z

TIVELY, THE TAXPAYER MAY PURCHASE AN INCOME AVERAGING
ANNUITY CONTRACT WITH THE LUMP-SUM PROCEEDS. BY FOLLOWING
THIS PROCEDURE THE INCOME SUBJECT TO TAX IS SPREAD OVER A
NUMBER OF YEARS AND IS TAXED AS THE ANNUITY IS RECEIVED.

4. ANY PAYMENT RECEIVED FROM A SUPERANNUATION OR PENSION
PLAN IS TAXABLE TO THE RECIPIENT. THUS, IF THE DEATH

BENEFIT...IS PAYABLE PURSUANT TO THE PROVISIONS OF THE PENSION FUND OR PLAN IT WILL BE SUBJECT TO TAX AS OUTLINED ABOVE. THIS AGAIN ASSUMES THAT THE RECIPIENT IS A RESIDENT OF CANADA.

5. IT IS OUR UNDERSTANDING THAT THERE IS NO TAX REIMBURSEMENT PROCEDURE IN EFFECT WITH RESPECT TO LUMP-SUM PENSION WITHDRAWALS OR SURVIVOR BENEFITS FROM THE FUND. END TEXT.

6. EMBASSY HAS DISCUSSED FURTHER WITH REVENUE CANADA QUESTION OF "RESIDENCY." DETERMINATIONS ON RESIDENCY ARE MADE ON A CASE BY CASE BASIS, TAKING INTO CONSIDERATION NUMBER OF FACTORS SUCH AS: WHETHER HOME IS MAINTAINED IN CANADA; WHETHER INDIVIDUAL'S ASSETS ARE HELD HERE; AND WHETHER MEMBERS OF THE IMMEDIATE FAMILY RESIDE HERE.

7. EMBASSY HAS LEARNED FURTHER THAT CANADIAN RESIDENTS LIVING OVERSEAS AND SUBJECT TO FOREIGN TAXATION RECEIVE A CANADIAN TAX CREDIT ON PAID FOREIGN TAXES. ENDERS

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